

## BASIC AID ALLOCATION PROCESS

Basic Aid refers to local property tax receipts that exceed general purpose revenue entitlement derived from the State of California SB 361 (or successor funding bill) calculation. The process for identification and prioritization of basic aid allocations will follow the Board Policy 3110 for Basic Aid Allocation Process. The allocation recommendations will be for a) capital construction, major renovation, large infrastructure projects, and site development, b) retiree benefit trust fund and other long term obligations or liabilities, c) trustee elections, legislative advocacy, and major legal fees and/or judgments, d) major technology initiatives, and e) fifty percent matching funds for scheduled maintenance and smaller renovation projects including maintenance equipment. The remaining fifty percent will be provided by the site requesting the funds.

### 1. ANNUAL CYCLE OR TIMELINE

- a. The intent of the basic aid allocation process is that it will culminate in a master list of projects to be funded by basic aid which follows the budget cycle. The allocation cycle for basic aid will conform to the budget development cycle, with basic aid allocations being included into the tentative and final budgets and require board of trustee approval.
- b. The allocation cycle will also be linked to property tax schedule and the Vice Chancellor of Business Services will be responsible for determination of projected property tax revenues, using conservative estimates.
- c. Unless there is an emergency situation, this cycle will be followed. The determination of what warrants an emergency is defined in the Emergency Situation Clause (Section 4.d) of this Administrative Regulation 3110.

### 2. RESPONSIBLE ADMINISTRATOR AND DISTRICT-WIDE COMMITTEE

- a. The Vice Chancellor of Business Services will ensure that the process for Basic Aid Allocation occurs according to the regulation and that it is included in the budget development.
- b. The Vice Chancellor for Business Services will be the chairperson of the Basic Aid Allocation Recommendation Committee (BAARC).
- c. A Basic Aid Allocation Recommendation Committee (BAARC) will be a District-wide participatory governance committee whose role will be to implement the Basic Aid Allocation Process.
  - i. Purpose of the Basic Aid Allocation Recommendation Committee (BAARC): This participatory governance committee is charged with implementing BP 3110 and AR 3110-Basic Aid Allocation Process and utilizes plans developed by other District-wide Committees and Councils.

The Basic Aid Allocation recommendations will follow the annual basic aid allocation cycle which parallels the SOCCCD annual budget development process

- ii. Composition: The District-wide committee will be a participatory governance committee composed of the following 21 positions:
  - 1. Vice Chancellor of Business Services (Chair)
  - 2. Vice Presidents for Instruction or representative (one from each college)
  - 3. Directors of Facilities or representatives (one from each college)
  - 4. District Director of Fiscal Services
  - 5. District Director of Facilities Planning, and Purchasing
  - 6. Director of Fiscal Services-IVC and Vice President – Administrative Services-SC or representatives (one from each college)
  - 7. Academic Senate Presidents and/or representatives (6 in total, three from each college)
  - 8. Vice Chancellor of Technology and Learning Services or designee.
  - 9. Classified Senate President or representatives (2 in total, one from each college)
  - 10. CSEA one representative
  - 11. College I.T. Directors

3. USE OF PLANNING DOCUMENTS: THE BASIC AID ALLOCATION RECOMMENDATIONS WILL BE DIRECTLY DRIVEN FROM THE FOLLOWING DISTRICT-WIDE SPECIALIZED PLANS:

- a. The 5-Year Construction Plan.
- b. 20-Year Facility, Renovation, and Scheduled Maintenance Plan.
- c. District-wide Technology Plan.
- d. College and District–Wide Strategic Plans and District-Wide Education and Facilities Master Plan (Long Term Plan)-will be used by the committee to put the other three specific plans into context. These college and district plans in item 3d are helpful for reference as source documents but these plans don’t have district-wide project priority lists like the specific plans above in items 3a through 3c. The specific plans above in items 3a through 3 c will be the “go-to” plans which have itemized district-wide prioritized projects to be funded from Basic Aid funds.

4. DETERMINATION OF BASIC AID ALLOCATION AMOUNTS

- a. The Vice Chancellor for Business Services will be responsible for preparing the income calculations which includes estimating property tax revenues and enrollment fees (net of costs, i.e., credit card processing fees, etc.), utilizing a conservative estimate approach during budget development.

- b. The actual remaining unallocated balance from previous year property taxes for basic aid will be determined and added to the estimated current year property tax amount for basic aid to calculate a Total Estimated Property Taxes for Basic Aid.
- c. A “Contingency for Unrealized Tax Collections” will be created with an amount of no less than 20% of the Total Estimated Property Taxes Available for Basic Aid in it. It will be set-aside as a safeguard to protect the district from property taxes not collected or a downturn in property tax collections.
- d. The Contingency for Unrealized Tax Collections amount can only be spent if there is an emergency situation. It is the intent of this administration regulation that district services and the colleges, as good budget practice, plan for emergency situations within their respective budgets. However, it is recognized that when an emergency situation arises that results in costs of a large dollar amount, that there is a need to allow for a process to request for emergency basic aid funds. It is expected that the application for emergency funds is done rarely and as an exception to this process, not a regular part of this annual process.
  - i. Emergency situation clause – An emergency is defined as an unforeseen event that negatively impacts health and life safety standards so that it poses imminent danger, is extremely time sensitive because it prevents the continuance of instructional course offerings which will create undue hardship for students, or prohibits commencement of a previously approved project and has created a dire financial hardship that is extremely adverse to the district and/or college. Emergencies will be funded only if the cost is greater than or equal to \$400,000\*. (\*This cost will be re-evaluated annually by the BAARC, who has the authority to make recommendations for an adjustment of this amount.)
  - ii. Process for determination of an emergency – The BAARC will develop a procedure including a form which will need to be completed by the requesting party.
    - 1. When a request for emergency is received, BAARC will reconvene.
    - 2. If the emergency situation is determined by BAARC to qualify for basic aid allocation then BAARC will consider recommending a “reprioritization” of other projects that previously were recommended to have an allocation for basic aid for that unit to this emergency situation.
    - 3. This recommendation for reprioritization would have to be a revised recommendation to the Chancellor and ultimately go to the Board of Trustees for approval.
    - 4. Options for re-considering the previously approved priorities are to be considered first prior to any recommendation from BAARC to transfer funds from the Contingency for Unrealized Tax Collections for the new emergency situation.

5. In time sensitive situations, the Chancellor has authorization to declare an emergency and recommend use of basic aid funds. If such a situation is warranted, the BAARC will be immediately notified with the justification and the approval of the Board would be required. This would only occur if other funds cannot be utilized, other projects approved for basic aid cannot be re-prioritized, or if the BAARC cannot be convened in a timely manner.
  6. In the event of a large-scale emergency deemed a college responsibility, the college specific liability will not exceed \$500,000. This cap is intended for 'stop-loss' purposes.
- iii. Insurance reimbursement – if the emergency situation qualifies for FEMA, insurance, or other types of claim coverage, then the amount received by the district for this emergency event will be replenished back into the basic aid contingency-Contingency for Unrealized Tax Collections.
  - iv. Review of emergency situation clause – The BAARC will review the emergency requests and if the requests are too numerous and stray from the intent of this procedure, then a tighter emergency situation request procedure will be developed by BAARC so that the overall intent of this administrative regulation is followed.
- e. Amount Available for Allocation – no more than 80% of the Total Estimated Property Tax Amount Available for Basic Aid may be recommended by the BAARC for Basic Aid Allocation Recommendation. It is not required to recommend distribution of 80%, the BAARC can recommend less than 80%.
- i. The required amounts necessary to fund Long Term Obligations such as the Retiree Benefit Liability and fixed expense commitments such as Basic Aid Advocacy, Legal Costs and/or judgments, Trustee elections will be calculated and funded first.
    1. This will be funded first because these are liabilities to the district and need to be paid. They are not discretionary.
    2. The amount required for Retiree Benefit Liability will be based on the independent actuarial study contracted by the district for this purpose. It is conducted every two years and is required by GASB.
    3. Other amounts will be based on fixed and actual expenses needed to fund the respective obligation.
  - ii. The remaining balance will fund a) capital construction, major renovation, large infrastructure projects, and site development; b) major technology initiatives; and c) 50 percent match for scheduled maintenance, smaller renovation projects, and maintenance equipment.

1. The majority portion of basic aid funding is intended for the areas of capital construction, which can include major renovation, large infrastructure, and site development.
2. The allocation for scheduled maintenance will be based on the distribution ratios between the colleges used in the model established in the District Resource Allocation Council process.
  - a. At the colleges' request, it may be that a phasing/timing situation or emergency situation requires a variance from utilizing their entire allocation based on the ratios between the colleges because they may not find that they can expend the exact ratio allocated amount. In this case, the remainder balance will be held in a basic aid scheduled maintenance holding account for the respective college for a future year's use. To use it in a future year, the scheduled maintenance project must be specifically approved. Another example of this may be that for phasing purposes one campus may need funds a year sooner in order to have enough funds for a planned project, so it may be recommended that they get an advance from the contingency. If a college needs additional funds in a fiscal year in order to complete a project, funds from their basic aid scheduled maintenance holding account needs to be utilized first before advancing from the contingency.
  - b. If the above situations are warranted, then it must be properly justified and recommended by BAARC so it can be presented to the Chancellor and Board of Trustees for approval.
- iii. The Capital Improvement Committee (CIC) will be the district-wide participatory governance committee responsible for the definitions of capital construction, major renovation, large infrastructure projects, site development, scheduled maintenance, and smaller renovation projects so that there are clear and transparent definitions for these facilities related terms.
- iv. The Capital Improvement Committee (CIC) will ensure that any adjustments to the definitions are communicated to BAARC in a timely manner so that it can be included in the Basic Aid Allocation Process for the fiscal year.
- v. If other terms need to be defined to aid in this process, then the BAARC will be responsible for definitions being developed.
- vi. Allocations must be encumbered for construction within five years on the specific project for which funding was approved. Allocations set aside for State Funding match may be exempt from this timeframe. For capital project budgets that are allocated over a number of years, the time will

begin when the project is funded 100%, as long as major scope changes do not occur to change the project into a different project.

- vii. Any funds remaining in a project after 5 years will return to the Basic Aid fund for reallocation in the next year. Funds remaining in a completed and closed project will return to the Basic Aid fund for reallocation in the next year.
- viii. A rebate (e.g. energy rebate) that was generated from a project funded fully or partially with basic aid funding is authorized to be allocated to the appropriate college or district services that earned the rebate to encourage rebate submission, energy savings, and other operational savings.
- ix. The BAARC has the authority to recommend funding for a project for multiple years, if it seems appropriate.
  - 1. The BAARC will take into consideration larger scale projects in which timing, phasing, state funding, and other factors may require a breakdown in funding of the total project costs into different fiscal years.
  - 2. For instance, it may be recommended that a capital improvement project be funded in several phases over several years for planning and design phases, construction phases, and furniture.
  - 3. Other phases could take into consideration include project investigation, secondary effects, moving of programs, environment/mitigation, etc.
- x. The BAARC is expected to strongly rely upon the existing priorities in the plan documents. However, it also may need to consider Total Amount Available for Basic Aid Allocation, queuing of projects for state funding consideration, phasing considerations, cash flow, and melding the various plans into one recommended master list of Basic Aid Allocation Recommendations.
- xi. The capital construction projects will include a change order contingency.
  - 1. If the change order contingency is insufficient, then the change to the total project budget needs to be recommended to BAARC.
  - 2. BAARC will make a recommendation to the Chancellor and the Board of Trustees will need to approve this change in project budget for this overage.

Any Major Technology Project for consideration to be funded from Basic Aid must be included in the District-Wide Technology Plan and must be a project and not be a recurring expense

- a. A Major Technology Project needs to have a clearly defined description and detailed scope with project budget based on estimates. If there are phases, the specific phases need to be outlined with budget estimates for the phases.

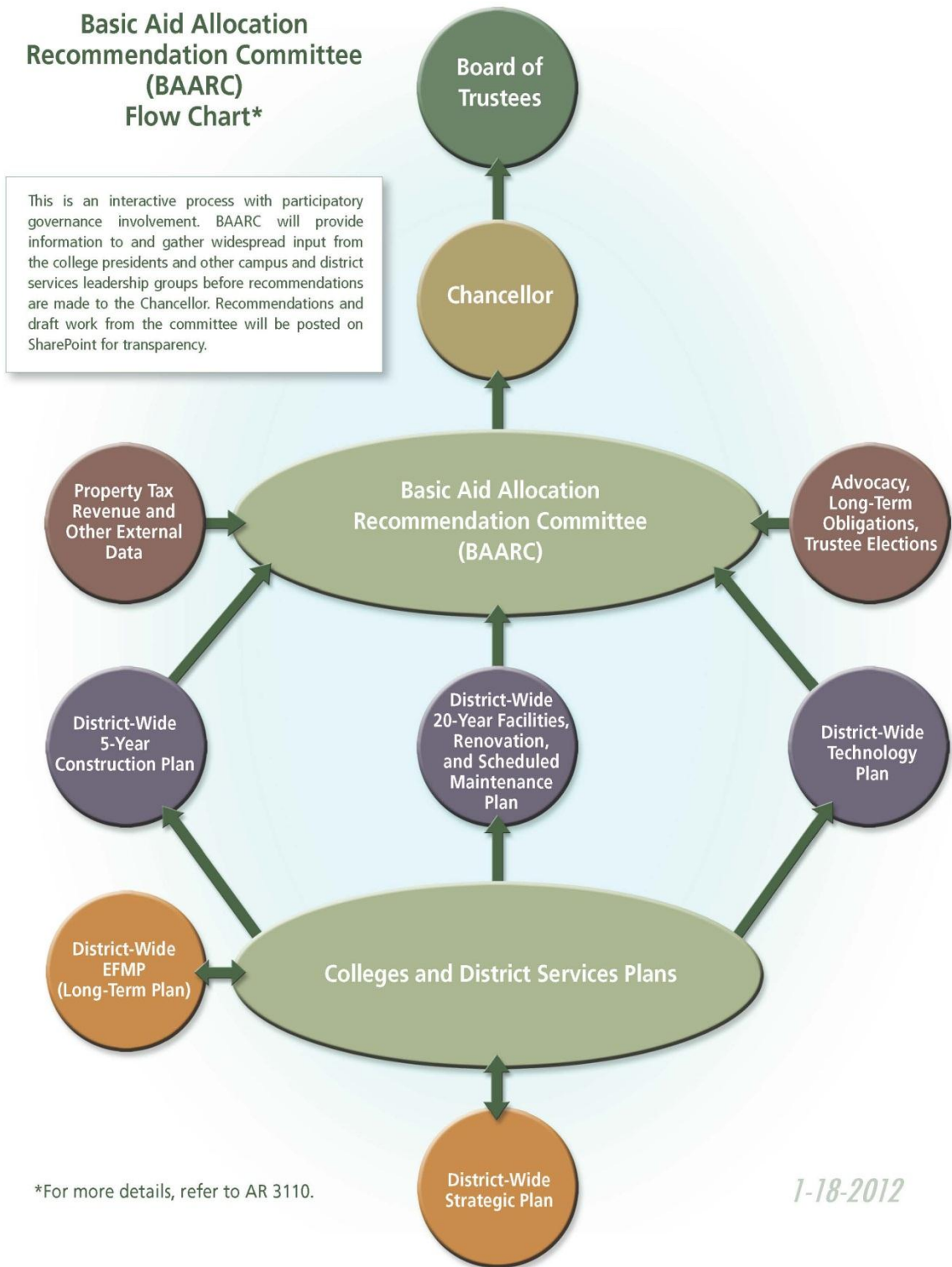
- b. In general on-going maintenance expenses or on-going licenses for technology will not be funded by basic aid (see exception “C” below). The majority of technology requests fall into this category and are expected to be paid from general operating budgets and/or general expenses. Certain large District-Wide capital software procurements such as Software as a Service (SaaS) or large software subscriptions, licenses, and accompanying maintenance agreements recommended by DTC and approved by BAARC that are either capital in nature and/or greater than \$150,000 may qualify for basic aid funding.
  - c. Changes, enhancements, or addition of substantive features to projects require a separate request and cannot be funded through the original project allocation.
  - d. A non-specific category for innovative technology-related research and development of 5% of the total annual technology basic aid funding is allowable to be funded from basic aid to encourage the IT department staff to explore and test new types of technology advances and solutions. The fund would be managed by the Vice Chancellor of Technology and Learning Services with the intention of conducting research and development activities.
- xii. The Basic Aid Allocation Recommendations will be made to the Chancellor, who will share and confer with the College Presidents before making final recommendation to the Board of Trustees.
- 1. The BAARC will provide the Chancellor with a master list of Basic Aid Allocation Recommendations, with project description, recommended amount, and scope.
  - 2. If there are future phases to any recommended project, that will be clearly disclosed with projected future costs and timing.
  - 3. Accompanying the Basic Aid Allocation Recommendations from BAARC, will be a cover letter and narrative report from the committee explaining the process that was followed, considerations made by the committee, and other necessary background information for the Chancellor to consider and have for review
  - 4. If the Chancellor recommends any changes to the BAARC’s recommendations, the Chancellor will provide the recommended changes to BAARC with explanations of the change so that it is clearly communicated to BAARC prior to the changes being included in the Tentative or Final Budget for Board of Trustee review and approval.

5. If there should be a circumstance arise in which BAARC cannot come to a consensus for recommendation for the basic aid allocation, the chair of BAARC will bring the issue forward to the Chancellor who will be authorized to make final recommendations to the Board of Trustees.
- xiv. Evaluation of the Basic Aid Allocation Process.
1. The BAARC will be responsible for evaluating the annual Basic Aid Allocation Process for effectiveness and adherence to the BP 3110 and AR 3110.
  2. This assessment will be conducted once a year and be open and transparent.
  3. BAARC will make recommendations for improvements or adjustments to the process and the Board Policy based on the evaluation of the process for effectiveness.
  4. Communication of the results of the assessment will be widely disseminated and any adjustments made to the process will be inclusive, open, and transparent and keep with the intent of the board policy and administrative regulation.



**Basic Aid Allocation  
Recommendation Committee  
(BAARC)  
Flow Chart\***

This is an interactive process with participatory governance involvement. BAARC will provide information to and gather widespread input from the college presidents and other campus and district services leadership groups before recommendations are made to the Chancellor. Recommendations and draft work from the committee will be posted on SharePoint for transparency.



\*For more details, refer to AR 3110.

*1-18-2012*

## SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT Annual Cycle for Basic Aid Allocation

Month	Information feeding into the committee	Actions that will be taken by committee or others
<b>January</b>	<p>District Fiscal Office receives and reviews property tax revenue updates for previous tax year.</p> <p>Governor’s Budget recommendations occur in January.</p> <p>Legislative sessions begin and continue until end of June, when final state budget is passed.</p> <p>Vice Chancellor of Business Services will continuously monitor legislative and state budget situation. Regular updates will be provided to several District-wide committees including District-wide Strategic Planning Committee, DRAC, BAARC, Chancellor’s Council, Board of Trustees, etc.</p>	<p>District-wide committees and councils responsible for planning are continuing to meet throughout the academic year.</p> <p>College and district services based committees and councils responsible for planning are continuing to meet throughout the academic year.</p>
<b>February</b>	<p>District Fiscal Office receives and reviews property tax revenue updates for previous tax year.</p>	
<b>March</b>	<p>All District-wide plans must be updated and submitted to BAARC as part of the Basic Aid Allocation Process. Updates need to be completed no later than March 15<sup>th</sup>.</p>	<p>Basic Aid Allocation Recommendation Committee will begin their annual process.</p> <p>Plans that will be used by BAARC would include:</p> <ul style="list-style-type: none"> <li>• 5 year Construction Plan</li> <li>• District-wide 20 year Facilities, Renovation, and Scheduled Maintenance Plan</li> <li>• District-wide Technology Plan</li> </ul>

<p><b>March - continued</b></p>		<p>In addition, BAARC will refer to the following to assist in their work:</p> <ul style="list-style-type: none"> <li>• District-wide Strategic Plan</li> <li>• District-wide EFMP (Long Term Plan)</li> <li>• College Strategic Plans</li> </ul>
<p><b>April</b></p>	<p>Last big payment from previous year's property tax revenues should be received by the district.</p> <p>Amounts required for Basic Aid Advocacy, Long Term Obligations such as Retiree Benefit Liability, Legal Costs and/or judgments, and Board Elections are estimated and/or confirmed.</p>	<p>BAARC continues their work:</p> <ul style="list-style-type: none"> <li>• Ending (remaining actual) balances for last year's property taxes or basic aid are provided to BAARC.</li> <li>• Split between allocated amount and Contingency for Unrealized Tax Collections is determined by the BAARC before they work on their master list of projects to be funded.</li> <li>• Based on the BP 3110 and AR 3110, BAARC uses the multiple plans and melds it into a master recommended list.</li> </ul>
<p><b>May</b></p>	<p>Estimates for this year's property taxes are being finalized in preparation for Tentative Budget.</p> <p>State Allocations/Match Requirements should be known by now, information provided to BAARC.</p> <p>May Revise takes place.</p>	<p>BAARC makes recommendations on Tentative Basic Aid Allocations to the Chancellor by May 31<sup>st</sup>, which includes:</p> <ul style="list-style-type: none"> <li>• Total distribution amount for up to and no more than 80% of estimated property taxes and;</li> <li>• Prioritized combined master list of projects with amounts.</li> <li>• Contingency for Unrealized Tax Collections of at least 20% of Total estimated property tax amount (BAARC takes a conservative approach and does not ever recommend 100% of estimated property taxes)</li> <li>• Cover Letter and Narrative Report accompanying the Recommendations.</li> </ul>

<p><b>June</b></p>	<p>District Fiscal Office re-confirms this year’s property tax revenues with South Orange County Office /Treasurer.</p> <p>Final State Budget should be approved (normally) by June 30<sup>th</sup>.</p>	<p>Chancellor reviews recommendations.</p> <p>Tentative Basic Aid Allocations are finalized and taken to the Board of Trustees for their review and approval as part of the SOCCCD Tentative Budget Packet.</p>
<p><b>July</b></p>	<p>July 1st, start of new fiscal year.</p> <p>Estimates for this year’s property tax revenues will be used for Final Budget packet. Information is provided to BAARC.</p> <p>Amounts required for Basic Aid Advocacy, Long Term Obligations such as the Retiree Benefit Liability, Legal Costs and/or judgments, and Board Elections are finalized and provided to BAARC.</p> <p>State budget workshop takes place, Vice Chancellor of Business Services and fiscal services representatives attend. Information is brought back to the campus and disseminated appropriately.</p> <p>District deadline of July1st for annual submittal of 5 year CO Plan, FPP’s, and IPP’s to state chancellor’s office.</p>	<p>Revisions are made to the Tentative Basic Aid Allocation Recommendations by BAARC and submitted to the Chancellor by July 31<sup>st</sup> for preparation of Final Budget.</p>

<b>August</b>	District Fiscal Office regularly monitors actual property tax receipts throughout this year and into next calendar year.	Chancellor reviews and shares recommendations with Chancellor’s Executive Team.  Annual Final Basic Aid Allocations are finalized and taken to the Board of Trustees for their review and approval as part of the SOCCCD Final Budget Packet.
<b>September</b>	For the new academic year, District-wide planning processes and updates begin within respective committees and councils.  For the new academic year, college and district services planning processes and updates begin within respective committees and councils.	Approved recommendations for Basic Aid are communicated widely through various communication methods.  Units implement the Basic Aid Allocation Process for the year.
<b>October</b>	District deadline of October 1 <sup>st</sup> to submit annual Space Inventory to state chancellor’s office.	
<b>November</b>		
<b>December</b>	District deadline to submit SMSR 5 YP to state chancellor’s office.	Evaluation of BAARC and process takes place no later than December of each year. Input received is discussed, reviewed, and utilized for the next cycle.

\*This information on the Annual Cycle for Basic Aid Allocation is outlined to illustrate a typical basic aid allocation cycle for any given year, however; it may vary slightly from specific budget year to budget year based on variations that may occur in the state budget cycle and district-wide budget cycle. Adjustments would follow to this cycle accordingly.

Compromise document (1/18/12 draft) - FINAL

REVISED 3.20.2014

**SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT**

**Capital Improvement Committee Facility Related Definitions**

<b>Capital Construction</b>	A large scale construction project which may include specific construction components such as site development, utilities, roads, buildings, and equipment projects. Capital projects may also be thought of in terms of ‘facilities system’. Capital construction projects may also be a result of system failures.
<b>Scheduled Maintenance**</b>	Repair or replacement of facility systems at the end of their life cycle with replacement costs greater than or equal to \$400,000* per project. Scheduled Maintenance excludes parking lots, as these projects are funded via parking revenues. Example: \$400,000 total project (50/50 match = \$200,000-basic aid and \$200,000-college match)
<b>Deferred Maintenance</b>	Scheduled maintenance that has not been performed within the specified time period.
<b>Major Renovation</b>	Modification to a building or site that changes the use or modernizes a facility and has associated project costs greater than \$1M.*
<b>Small Renovation</b>	Modification to a building or site that changes the use or modernizes a facility and has associated project costs greater than or equal to \$400,000 and under \$1M.*
<b>New Construction</b>	Construction of new facilities.
<b>Preventive Maintenance</b>	Maintenance that is performed on a routine basis to ensure functionality of facility systems to achieve its predicted life cycle.
<b>Health &amp; Safety Deficiencies</b>	Circumstances where immediate corrective actions are required to return a place or situation to an acceptable state.
<b>Emergencies</b>	An emergency is defined as an unforeseen event that negatively impacts health and life safety standards so that it poses imminent danger, is extremely time sensitive because it prevents the continuance of instructional course offerings which will create undue hardship for students, or prohibits commencement of a previously approved project and has created a dire financial hardship that is extremely adverse to the district and/or college. Emergencies will be funded only if the cost is greater than or equal to \$400,000*. (*This cost will be re-evaluated annually by the BAARC, who has the authority to make recommendations for an adjustment of this amount.)

<b>Facility Systems</b>	Components essential to the operations and functionality of buildings and/or infrastructure. Examples include mechanical, electrical, plumbing, building envelope, drywall, drop ceilings, etc.
<b>Large Infrastructure Projects</b>	Capital projects that encompass major site systems such as roadwork, accessible pathways, central plant, electrical, communication, storm drainage, sewer, gas and water systems.
<b>Site Development</b>	Logistics and analysis of a site including readying the site for improvements. Examples include planning, design, clearing, title search, and preparing the site for construction.
<b>Maintenance Equipment</b>	Facility System required to maintain building functionality. Fixed equipment attached to the building and required for the building operation. Examples include, HVAC, boiler, transformer, and chiller.
<b>Routine Maintenance</b>	General, everyday type maintenance to include component replacement such as filters for HVAC systems or performing checks and certification of facility systems.
<b>Seismic Projects</b>	Improvements to prevent or mitigate damage caused by an earthquake or earth tremor.
<b>Construction/Design Defects</b>	A physical problem that prevents a facility system from operating as intended due to a construction and/or design problem. If identified during the warranty period, it's normally covered through the extended warranty, or bond surety process. It can be identified after the warranty period up to 7 years, in which basic aid funding can be requested, afterwards it is considered the colleges' operational budget responsibility.

**\* Dollar thresholds to be re-evaluated annually**

**\*\*50% - 50% match from the college and basic aid funds**

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*Approved by Capital Improvement Committee: 11-15-2011- FINAL*